Oversight Division

Committee On Legislative Research

PROGRAM EVALUATION

Review of the
DEPARTMENT OF ECONOMIC
DEVELOPMENT
POLICY FOR ECONOMIC GROWTH

Program Evaluation
DEPARTMENT OF ECONOMIC DEVELOPMENT
POLICY FOR ECONOMIC GROWTH

Prepared for the Committee on Legislative Research
by the Oversight Division

Mickey Wilson, CPA, Director

Review Team: Steve Shiery, CPA, Team Leader, Helen Webster-Cox, CPA, Valerie Lesko, Kyle Bosh

December 15 ,2011

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Committee on Legislative Research Oversight Subcommittee

THE COMMITTEE ON LEGISLATIVE RESEARCH, Oversight Division, is an agency of the Missouri General Assembly as established in Chapter 23 of the Revised Statutes of Missouri. The programs and activities of the State of Missouri cost approximately $23 billion annually. Each year the General Assembly enacts laws which add to, delete or change these programs. To meet the demands for more responsive and cost effective state government, legislators need to receive information regarding the status of the programs which they have created and the expenditure of funds which they have authorized. The work of the Oversight Division provides the General Assembly with a means to evaluate state agencies and state programs.

THE COMMITTEE ON LEGISLATIVE RESEARCH is a permanent joint committee of the Missouri General Assembly comprised of the chairman of the Senate Appropriations Committee and nine other members of the Senate and the chairman of the House Budget Committee and nine other members of the House of Representatives. The Senate members are appointed by the President Pro Tem of the Senate and the House members are appointed by the Speaker of the House of Representatives. No more than six members from the House and six members from the Senate may be of the same political party.

PROJECTS ARE ASSIGNED to the Oversight Division pursuant to a duly adopted concurrent resolution of the General Assembly or pursuant to a resolution adopted by the Committee on Legislative Research. Legislators or committees may make their requests for program or management evaluations through the Chairman of the Committee on Legislative Research or any other member of the Committee.

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Members of the General Assembly:

The Joint Committee on Legislative Research adopted a resolution on June 20, 2011 directing the Oversight Division to perform a program evaluation of the Department of Economic Development, Policy for Economic Growth to determine and evaluate program performance in accordance with program objectives, responsibilities, and duties as set forth by statute or regulation.

The report includes Oversight's comments on internal controls, compliance with legal requirements, management practices, program performance, and related areas. We hope this information is helpful and can be used in a constructive manner for the betterment of the state program to which it relates. You may obtain a copy of the report on the Oversight Division's website at http://www.moga.mo.gov/oversight/audits.htm.

Respectfully,

Representative Tom Flanigan
Chairman

EXECUTIVE SUMMARY

The State of Missouri offers a wide range of tax credits as a part of its economic development program, and also offers tax credit incentives to participants in specific business and social activities. Applicants are generally required to make qualifying investments or conduct specific business or social activities in exchange for the credits.

Tax credits result in a direct reduction of a government entity's tax revenues. They are not an expenditure subject to normal budget and appropriation controls. Tax credits can provide direct financial assistance to a business or to an individual if the recipient of the tax credits has a tax liability. If the business or individual does not have a tax liability, the financial assistance may still be available by selling the tax credits but the financial assistance may be reduced due to broker fees or other transaction costs. However, some tax credits can not be sold or otherwise transferred and the benefit may be delayed or lost if the tax credits expire.

The Department of Economic Development (DED) and the Department of Revenue (DOR) are the primary Missouri state agencies involved in economic development tax credit programs, but additional state agencies are involved with other business or social tax credit programs.

Oversight reviewed the statutes, regulations, DED procedures, and other activities related to the economic development tax credit programs. We also reviewed a sample of recently active projects for which DED provided financial assistance. Our observations resulted in several comments and recommendations.

In our review of project files, we noted the files did not appear to be adequately organized and we could not determine if they were complete. We could not verify that DED staff had verified compliance with program requirements in some of the files. We recommend DED managers develop a standard format for project files, and ensure an annual file and compliance review is done by an appropriate manager. We also recommend DED managers develop a process to ensure more oversight over projects including more frequent project site visits.

We have significant concerns regarding compliance issues in three projects including the value of a contribution to a community development corporation, the shipment destination for computer equipment, and the wages paid to new employees on a project. We recommend DED managers reconsider the tax credits and other financial assistance provided to these projects and work with the Department of Revenue to recover any overpayments. Finally, we recommend consideration of a future program evaluation of the Missouri Development Finance Board, a component of the Department of Economic Development involved in large economic development project financing.

Chapter 1

Purpose/Objectives

The General Assembly has provided by law that the Committee on Legislative Research may have access to and obtain information concerning the needs, organization, functioning, efficiency and financial status of any department of state government or of any institution that is supported in whole or in part by revenues from the state of Missouri. The General Assembly has further provided by law for the organization of an Oversight Division of the Committee on Legislative Research and, upon adoption of a resolution by the General Assembly or by the Committee on Legislative Research, for the Oversight Division to make investigations into legislative and governmental institutions of this state to aid the General Assembly.

The Joint Committee on Legislative Research directed the Oversight Division to conduct a program evaluation of Missouri Tax Credit programs in 2009, and a report on that review was issued in January of 2010. Oversight was requested to update our review of these programs in 2010, to consider whether the technical and management requirements for these programs had been met, whether those requirements were adequate, and to review the potential for cost controls over these programs. On June 20, 2011 the Joint Committee on Legislative Research directed the Oversight Division to perform a program evaluation of the Department of Economic Development, Policy for Economic Growth, to determine and evaluate program performance in accordance with program objectives, responsibilities, and duties as set forth by statute or regulation.

Oversight's review addressed, but was not limited to, the following:

* Determining the Department of Economic Development's policy for long-term economic development.
* Comparing the nature and scope of Missouri tax credit programs with other states' programs.
* Considering whether other states have overarching policies regarding tax credits.
* Comparing the amount of tax credits issued and redeemed by Missouri and other states.
* Considering the economic impact of tax credit programs to the state.
* Reviewing the criteria used by the Department of Economic Development in selecting projects for discretionary tax credits.
* Documenting the stated purpose for each tax credit program.

Scope

The Oversight Division reviewed information regarding tax credit programs active from 2005 through 2011.

Methodology

The methodology used by the Oversight Division included reviewing Missouri statutes, rules and regulations, and legislation and fiscal notes pertaining to tax credit programs. In addition, we interviewed personnel from the Department of Economic Development, reviewed the information available regarding financial and management review of the Missouri tax credit programs, and collected public information from other state tax credit programs.

Background

The state of Missouri has a wide variety of economic development programs designed to leverage our competitive advantages and deliver strong economic growth for Missouri.

The Missouri Department of Economic Development (DED) is the primary state agency devoted to the state's programs for business and community development. Programs managed by DED include small business incubator programs, specialized business loan programs, the Certified Site Program, state programs for the issuance of industrial development, infrastructure, and other bonds, programs allowing sales tax exemptions and employee withholding tax retention programs for new, expanding, or relocating businesses, special tax increment financing programs for infrastructure development, targeted employment training programs, and state tax credit programs.

Staff and responsibility for most of the department's economic development programs have been assigned to the Division of Business and Community Services (BCS). BCS is also the administrative agency for seven of the eight active tax credit programs which were created by the General Assembly to encourage business development in the state. The Film Tax Credit Program is jointly administered by DED and the Missouri Film Commission; the Business Use Incentives for Large-Scale Development (BUILD) program is administered jointly by BCS and the Missouri Development Finance Board.

The business development tax credit programs are as follows.

* BUILD tax credits authorized by Sections 100.700 to 100.850; RSMo.
* Business Facility tax credits authorized by Sections 135.100 to 135.150; RSMo.
* Development tax credits authorized by Sections 32.100 to 32.125; RSMo.
* Enhanced Enterprise Zone tax credits authorized by Sections 135.950 to 135.973; RSMo.
* Enterprise Zone tax credits authorized by Sections 135.200 to 135.270; RSMo.
* Film tax credits authorized by Section 135.750; RSMo.
* Quality Jobs tax credits authorized by Sections 620.1875 to 620.1890; RSMo.
* Rebuilding communities tax credits authorized by Section 135.535; RSMo.

Tax credits amounting to approximately $41 million per year were issued for these tax credit programs over the most recent five years, or approximately 7.4 percent of all Missouri tax credits issued over those years. Total assistance provided by DED to active projects over the most recent five years was approximately $205 million.

Department of Economic Development

The Department of Economic Development (DED) is composed of divisions, boards, and commissions which execute statutory requirements, develop program regulations, and implement policy in the areas of community, economic and workforce development. The divisions, boards, and commissions work with businesses and communities to help firms create jobs, increase sales, find and train qualified workers, identify sites, and obtain financing support to locate or expand in Missouri, promote capital investment, and increase the self-sufficiency of communities in the state.

The Department of Economic Development, Division of Business and Community Services (BCS) offers programs and incentives for businesses and communities to create a pro-business climate and strong community partnerships where businesses can thrive.

The Missouri Development Finance Board (MDFB) is an instrumentality of the state which reports administratively to the Department of Economic Development. MDFB is authorized by state law to grant tax credits equal to 50% of any moneys contributed by any taxpayer to one of three MDFB funds; the "Industrial Development and Reserve Fund," the "Infrastructure Development Fund," or the "Export Finance Fund." The funds generated can then be used for new or expanding businesses.

The Missouri Film Commission was created in 1983 to attract film, television, video and cable productions to Missouri, and to promote the growth of the film and video production industry within Missouri. The Missouri Film Commission and the Department of Economic Development jointly administer the Film Production Tax Credit which may be up to 35 percent of the amount expended by film production companies in Missouri, for production or production-related activities.

A more detailed description of these tax credit programs is provided on Appendix A and a listing of all Missouri tax credits is provided on Appendix B.

Chapter 2

Application, Vetting, and Review Processes

We discussed with Department of Economic Development (DED) managers the processes the department has implemented to ensure financial assistance provided through these programs is properly used to improve the economic status of Missouri citizens.

A. Project Application and Vetting

We noted DED officials are actively involved in recruiting businesses which could benefit from these programs. The prerequisites for participation in these programs are provided in the statutes which authorize the programs, and although DED has published regulations for these programs, DED has only limited discretion in selecting projects. The DED application and vetting process for new projects in these programs is concerned primarily with examining the documentation for the proposal.

We are concerned these programs may be used to replace or supplement the normal capital requirements for the formation or operation of a businesses. This practice could lead to the state providing financial assistance to projects which could succeed without state assistance, or to projects which are not likely to succeed and to provide long-term jobs. We noted one of the projects we selected for detailed review resulted in jobs which lasted only the two years when state financial assistance was provided. The facility was closed at the end of its eligibility for assistance.

DED managers told us they try to prevent the excessive use of tax credits, and limit the amount of tax credits for each project to the lowest amount which will make the project feasible. They also told us they do not believe they have the ability to reject weak proposals or to shut down failing projects.

We also understand state financial assistance is sometimes provided as a direct response to financial incentive proposals from other states and DED managers are placed in the position of developing a "competitive" proposal for the employer.

We have discussed our compliance concerns with specific projects in another comment.

B. Project Review

DED officials have developed processes to verify critical information about job creation and retention projects. We noted the larger and newer projects are funded through the Enhanced Enterprise Zone or Missouri Quality Jobs programs, and DED procedures for these programs include verification of employee numbers, payroll costs, and payroll taxes retained for each project through arrangements with the Department of Labor and Industrial Relations and the Department of Revenue. We noted these verifications were performed for most projects but we also noted some exceptions which are discussed in our file review comments.

Although DED managers told us they do not accumulate records of projects which fail or are cancelled, we noted one of the projects we selected for detailed file review was cancelled when the employer could not achieve the required number of new hires. We were also made aware of additional projects which had failed before tax credits were issued. DED was able to cancel the tax credits and other benefits authorized for those failed projects so the benefits could be applied to other projects.

DED managers told us they plan to visit each project site at least once during its lifetime; however, as we have noted in our file review comments, documentation of such visits could not be located in all project files. We believe a more formal process could result in earlier detection of problems with these projects.

Providing DED with the authority to use discretion in choosing projects for assistance would require legislative action, and we do not offer a recommendation regarding potential legislative action. However, we believe increased attention, including additional site visits, to active projects could provide more assurance that state support is being used properly.

We recommend DED managers develop a process to ensure project site visits are made near the beginning of a project, and at least annually during the life of a project.

Project Files

Oversight reviewed a sample of files maintained by DED for projects which were active during the past five years. Because of the length of time a project remains eligible for tax credits under these programs, some of the projects we selected for detailed review originated prior to the most recent five years.

* We noted the files were extremely large for some programs. DED managers told us they retain all the documents related to a project for the duration of the project, but this practice actually adds to the difficulties we will discuss in our other comments.

* We were unable to detect a consistent methodology, or even a common structure, for the project files we reviewed. We noted project files for some programs included a file checklist. The file checklist provided some assurance DED staff had reviewed and filed critical documents for projects, but the contents of those files were not further organized and a checklist was not available for most of the files we reviewed.

* DED managers told us project documentation was filed in chronological order and we found this to be generally true. However, due to the size of some files, large amounts of insignificant information had to be searched in order to find critical project documents such as application and approval forms for the project, and approval for the issuance and transfer of tax credits.

* Projects involving the Missouri Development Finance Board (MDFB) were located at the MDFB office and away from DED offices.

We were unable to locate some information in the DED files which we consider critical to documenting that businesses met the legal and regulatory requirements for these programs. Because of the condition of the files, we are not certain whether those documents were missing or just misplaced. We discussed the more significant of these situations with DED managers, with the following results.

* In two Enhanced Enterprise Zone (EEZ) projects, there was no documentation of the employers' payment of employee health insurance premiums. DED managers told us they considered the corporate officers' signatures on the application for tax credits to be adequate. We believe DED should review and verify that the amounts actually paid by the employers satisfy program requirements.

* In one Enterprise Zone project we could not locate any information regarding 2007 activity. In another Enterprise Zone project we could not locate any documentation of the DED verification of new hires. DED managers told us some documents may have been misplaced. We have noted the DED process for these programs would require the documents to be available at the time tax credits were issued; however, we believe the ability to retrieve such documents when needed is an essential management requirement.

* In two Business Use Incentives for Large Scale Development (BUILD) projects, there was no documentation of DED verification for new hires reported.

Oversight believes the missing documents were most likely due to the condition of the files; however, it is also possible some project compliance verifications were not performed by DED managers. Program files should be constructed in a systematic, logical order to provide DED managers with the ability to reliably retrieve documents supporting their compliance verification including new hire data, payment of required health insurance premium, required new investment for projects, and other significant compliance attributes for these economic development programs.

We recommend DED develop a standard format for all project types including, at least, a file maintenance checklist and documentation of an annual compliance review by an appropriate DED manager. Critical compliance verification documents should be reliably located in a prominent location in each project file.

Tax Credit Claims

Oversight observed several unusual claims in the project files we reviewed.

A. In one project, a manufacturer reported a contribution to a community development corporation of two patents valued at $6 million and received $3 million in Business Development Tax Credits. The contribution and tax credits were included as part of an incentive package developed by DED managers and the manufacturer. The package also called for the manufacturer to invest $70 million in the plant, and to retain 1,450 jobs at the plant.

Section 32.110; RSMo provides for the Department of Economic Development to issue Business Development Tax Credits to organizations which engage in certain community development and economic development activities, and it allows the Department of Economic Development to provide tax credits to businesses which make "contributions to a neighborhood organization" as defined in the statutes for the program. A "neighborhood organization" is further defined as "any organization performing community services or economic development activities". DED has published regulations which allow for tax credits to be issued for in-kind donations of property and services in lieu of cash donations, based on the estimated value of those donations.

DED managers told us the Business Development Tax Credits were provided in exchange for the contribution to the community development corporation in this case because there was no other tax credit program available which fit the unique circumstances of that project. The manufacturer kept the plant open and retained the jobs at risk for the duration of the agreement with DED and the city.

We reviewed copies of the relevant documents including the patent transfer agreement, the patent files, and an appraisal done at the manufacturer's request to establish the value of the patents. We noted there were two patents involved; both were specifically related to the production of vehicles which were manufactured at the plant. The appraisal was extensively documented, provided extensive references to the technical specifications of the patents, and included the appraisers' estimate of the value of the two patents. We noted the estimate of value was based primarily on engineering estimates of manufacturing cost savings associated with the patents.

DED managers told us they believe the donation meets the statutory requirements and justifies the tax credits issued to the manufacturer based on the appraisers' estimate of value. We were able to verify that ownership of the patents was transferred to the community development organization, but we do not believe this transaction meets the statutory requirements for the program.

* The transfer agreement gave ownership of the two patents to the community development corporation, but it provided for the manufacturer to have exclusive use of the patents in exchange for royalties of $1 per year per patent. We believe those provisions substantially impair the value of the donated property on which the tax credits were based. In addition, the arrangement did not provide any significant funding for the community development corporation.

* The community development corporation which received the patents does not appear to meet statutory requirements since it has not performed any community services or economic development activity. We contacted city officials, and they told us the community development corporation was created to receive donations for a tax incentive program and has not had any significant revenues or expenditures.

  City officials did not have any further information regarding the operations or the financial activities of the community development corporation. Information about the corporation was not included in the city's financial statements, nor has the corporation issued separate financial statements.

B. In another project, a financial services company received $2 million in Development Tax Credits in exchange for the placement of some $4 million in computer equipment in the State of Missouri; however, the supporting invoices for approximately $3 million of the computer equipment indicated a "ship to" address in Virginia.

DED managers have not been able to determine if qualifying equipment was actually delivered to Missouri.

C. In a third project, an agribusiness company received more than $1.3 million in tax credits for the first four years of its participation in the Business Use Incentives for Large-Scale Development (BUILD) program. The project file indicated the company would make a significant investment in the project and employ a large number of persons, but wages paid to the company's employees would be lower than the county average.

Section 100.770; RSMo states the "amount the average wage paid ... exceeds the average wage paid within the county" is to be considered in "determining the credit that should be awarded" as well as the costs of the project to the state and the affected political subdivisions.

DED managers told us the statutory language for the BUILD program indicated several factors were to be considered in determining the credit to be awarded, and they did not consider the statutes to establish a set of baseline requirements. In addition, DED managers told us there was strong local support for the project since it created a significant number of jobs in an area of the state with high unemployment.

We believe the clear intent of the statute was to provide tax credits for projects which would create jobs with better wages than the county average.

We recommend DED managers review these transactions again, and make appropriate adjustments to the tax credits awarded to the businesses which made these claims. If the tax credits are determined to be improper, the department should work with the Department of Revenue, and make every reasonable effort to recover any overpayments.

Economic Growth, Financial Incentives, and Job Creation

A. We discussed the state of Missouri's overall economic development policy with DED managers and learned an overall policy was first developed and adopted in May of 2011, with assistance from a research organization and financing from a private charitable organization. We understand the department is working towards implementing this overall plan in the near future.

B. Oversight has prepared a brief summary of some of the significant events affecting the economy of the United States over recent years. That summary, provided only for informational purposes, is presented in Appendix D.

C. Oversight has also summarized certain economic and unemployment statistics for the United States, for Missouri, and for the states which adjoin Missouri, from December 31, 2006 to June 30, 2011. These statistics are shown in Schedule 2, and we have the following observations on the data.

* United States Gross Domestic Product was essentially stagnant during 2008 and 2009; although the level of economic activity fell in 2008, growth resumed in 2009. State economic and employment data appear to be consistent with the federal data.

* Employment numbers for the United States and all the states reviewed - except for Oklahoma and Nebraska - were lower as of June 30, 2011 than they had been at December 31, 2006.

* The State of Illinois lost the greatest number of jobs among the states reviewed. Tennessee had the second largest number of jobs lost and the highest percentage of jobs lost. Missouri had the second highest percentage of job losses and third largest number of jobs lost.

D. Finally, Oversight has summarized the cost of these eight economic development tax credit program programs over the years from 2007 through 2010. As shown in Schedule 3, there was an average of $39 million in tax credits issued and an average of $35.7 million in tax credits redeemed. We noted the pattern of tax credits issued and redeemed does not appear to correspond with changes in the number of jobs or the unemployment rate.

We have previously commented on the proliferation of Missouri tax credit programs, and we have noted other states do not appear to have the number of programs nor the amounts spent on tax credit programs as compared to Missouri. However, we do not have detailed information regarding tax credits issued or redeemed by other states.

E. Tax credits may not necessarily be a primary driver in job creation.

Although the Department of Economic Development has a number of additional programs to assist businesses and communities with their growth and planing processes, tax credit programs appear to be the primary financial incentive available to the department.

Tax credits are provided in an effort to reduce the cost of starting or operating a business, but the cost of doing business in Missouri is already low compared to other states. One recent publication indicated the State of Missouri had the third lowest business cost of any state in 2011. According to the Tax Foundation, Missouri has the fifth lowest corporate income tax rate in the U.S., the ninth lowest unemployment insurance tax rate in the U.S., and a better overall tax climate for business than all of its surrounding states. According to the United States Department of Energy, Missouri had the eighth lowest average commercial electricity costs in 2010 and the tenth lowest average industrial electricity costs in 2010. Missouri was ranked third overall for business energy costs by the Small Business and Entrepreneurship Council in 2010. Oversight is concerned that providing additional state incentives to reduce the cost of doing business in a low-cost location may not be productive.

DED managers also told us about some other significant factors which can have an impact on where a business chooses to locate its operations. DED managers told us of the recent reorganization of a large telecommunications company in Kansas. The reorganization made a large amount of office and commercial space available in the Kansas City area at very low cost. We understand comparable space on the Missouri side of the metropolitan area is significantly more costly for employers.

F. Finally, as we have noted in a previous review of tax credit programs, the state cost of redeeming tax credits frequently exceeds the benefit provided to the entity which received them.

Tax credit programs are intended to benefit new or expanding businesses which may not be immediately profitable; however, in some cases, tax credits can only be redeemed by entities which have a tax liability. There was a total of $49.6 million in tax credits issued during the year ended June 30, 2010 for these eight programs. Out of that total, $30.5 million was refundable to the recipients; $15 million was not refundable but could be carried over or sold, transferred, exchanged, assigned, or otherwise conveyed, and $4.1 million could only be carried over by the recipients.

The refundable tax credits could be fully used to provide funding for a new or expanding business which was not profitable. Those nonrefundable tax credits which could be sold, transferred, exchanged, or otherwise conveyed to another entity could be conveyed to provide cash for operations, but there would likely be brokers and other so-called middlemen involved in such a transaction and the amount of economic development funding available from the transaction could be considerably less than the amount of tax credits redeemed by the eventual holder. Those tax credits which could only be used by the recipients could not be used until and unless the business achieved profitable operations.

These comments are presented for informational purposes and Oversight does not have any recommendations related to them.

Missouri Development Finance Board

A portion of our review was focused on the BUILD Missouri (Business Use Incentives for Large-Scale Development) Program. As we noted above, this program is administered jointly by the Division of Business and Community Services and the Missouri Development Finance Board (MDFB). The BUILD Program is a key part of MDFB activities. Our specific observations on the two BUILD projects we selected for review were included in our file review comments in this report.

The MDFB is a "body corporate and politic" created within the Department of Economic Development by Sections 100.250 to 100.297 RSMo, the "Missouri Development Finance Board Act". The Board includes the Lieutenant Governor, the Director of the Department of Economic Development, the Director of the Department of Natural Resources, and the Director of the Department of Agriculture as ex-officio members. Eight other members are appointed to the board by the governor; no more than five members can be of the same political party. The MDFB replaced the former Missouri Economic Development, Export and Infrastructure Board. All powers, duties and functions, and all moneys, property, any other assets or liabilities of the former board were transferred to the MDFB as of August 28, 1994.

The statutes authorize the board to employ and fix the compensation of an executive director and such other agents or employees as it considers necessary. In addition, the board is authorized to "(a)dopt, alter, or repeal its own bylaws, rules, and regulations governing the manner in which its business may be transacted."

The mission of the Missouri Development Finance Board is "(t)o assist infrastructure and economic development projects in Missouri by providing the critical component of the total financing for projects which have a high probability of success, but are not feasible without the Board's assistance." The Board's primary function is to structure and participate in the financing of Missouri business and public infrastructure projects. In turn, those infrastructure investments are expected to result in the creation or retention of jobs in the state and the expansion of capital investment within the State. MDFB has also created or provided financing for infrastructure projects for rural sewer and potable water services, when those improvements are considered necessary to alleviate public health and safety issues.

Oversight has reviewed recent MDFB monthly meeting minutes as well as the comprehensive annual financial reports for the last four years. The meeting minutes contained references to the Ninth Street Garage, the St. Louis Conference Center Hotel Garage, the Old Post Office Garage and other references to the purchase of buildings in St. Louis. As we noted above, the primary function of the Board is to structure and participate in the financing of Missouri business and public infrastructure.

The MDFB Comprehensive Annual Financial Report for the Fiscal Year ending June 30, 2007 states a "Parking Garage Fund was established in 2003 by the Board to account for the construction and ongoing operations of three parking garages." The three garages are as follows: the St. Louis Conference Center Hotel Garage (SLCCHG), the Ninth Street Garage (NSG) supporting redevelopment in St. Louis, and the Kansas City Public Library Garage (KCLG). The Board is the sole owner of these garages. SLCCHG was placed in service during FY2003; the KCLG was placed in service in FY2004, and the NSG was placed in service in early 2007.

Our review of MDFB board meeting minutes indicates the board considers financing for a large number of significant economic development projects each year, and a significant amount of board and staff time is devoted to the review of active and proposed projects.

During our review, we determined the scale of operations and the technical complexity of MDFB programs were beyond the scope of this program evaluation since tax credits typically provide only a part of the funding for MDFB projects. Our review did not indicate any specific problems with MDFB operations or indicate that MDFB was financing inappropriate projects, but we believe a review of MDFB operations could be useful to the General Assembly in its consideration of the state's overall approach to economic development.

We recommend consideration of a future program evaluation of the Missouri Development Finance Board. Specific review topics could be selected at a later date but might include the ways in which MDFB financial assistance is requested for projects, the process by which MDFB staff and board members review and evaluate proposed projects, the options which are considered for providing financial and other assistance to projects, and the long-term impact of projects supported by MDFB funding.

SCHEDULE 1

Economic Development Tax Credit Programs

Schedule 1

Program Name	2010 Issued	2010 Redeemed	2009 Issued	2009 Redeemed	2008 Issued	2008 Redeemed	2007 Issued	2007 Redeemed	2006 Issued	2006 Redeemed
Business Facility	$4,897,474	$2,883,729	$6,090,269	$5,896,799	$4,293,773	$2,815,251	$3,361,941	$6,066,136	$8,682,798	$5,892,727
Enterprise Zone	$5,627,795	$1,481,256	$10,366,073	$6,719,004	$15,194,162	$22,056,947	$14,964,927	$19,848,942	$28,379,873	$20,682,611
BUILD	$9,765,144	$8,317,379	$5,620,504	$7,074,994	$7,489,456	$4,975,510	$7,032,080	$6,859,745	$6,247,701	$5,402,416
Development Tax Credits	$2,713,000	$1,589,618	$1,228,570	$966,216	$1,266,706	$696,889	$111,482	$2,100,685	$2,552,633	$4,518,483
Rebuilding Communities	$1,419,759	$1,553,894	$2,002,376	$1,548,622	$1,670,629	$1,967,262	$1,692,176	$1,390,803	$1,732,964	$1,764,167
Film Production	$5,181,512	$1,925,158	$164,086	$970,673	$1,642,701	$1,920,709	$1,969,588	$1,240,972	$917,982	$788,596
Enhanced Enterprise Zones	$5,068,487	$2,916,392	$2,262,259	$1,454,319	$1,199,842	$756,006	$115,319	$5,188	$0	$0
Quality Jobs	$14,863,017	$14,238,179	$11,348,054	$6,203,572	$3,744,069	$2,805,251	$1,715,530	$1,715,530	$0	$0
Total for these eight programs	$49,536,188	$34,905,605	$39,082,191	$30,834,198	$36,501,338	$37,993,825	$30,963,043	$39,228,001	$48,513,951	$39,049,000
Total for all tax credit programs	$606,042,860	$523,335,361	$552,492,243	$584,431,815	$567,693,995	$512,528,805	$570,147,650	$484,414,536	$469,487,291	$415,245,563
Percent of total	8.2%	6.7%	7.1%	5.3%	6.4%	7.4%	5.4%	8.1%	10.3%	9.4%

SCHEDULE 2

Five Year Employment Trends

Schedule 2

		current	2010	2009	2008	2007	2006	Five Year Change Number	Five Year Change Percent	Increase/Decrease by Year 2011	2010	2009	2008	2007
US GDP (Trillion USD)		$15,012.8	$14,755.0	$14,087.4	$14,081.7	$14,253.2	$13,584.2	$ 1,428.6	10.52%	$257.8	$667.6	$5.7	-$171.5	$669.0
Employment (Thousands)	United States	131,132.0	130,229.0	129,320.0	134,383.0	137,983.0	136,891.0	(5759.0)	-4.21%	$903.0	$909.0	-$5,063.0	-$3,600.0	$1,092.0
	Missouri	2,642.9	2,647.1	2,683.9	2,789.1	2,797.0	2,789.7	(146.8)	-5.26%	-$4.2	-$36.8	-$105.2	-$7.9	$7.3
	Iowa	1,482.3	1,469.2	1,479.1	1,524.4	1,527.8	1,508.8	(26.5)	-1.76%	$13.1	-$9.9	-$45.3	-$3.4	$19.0
	Illinois	5,677.7	5,610.7	5,657.4	5,949.4	5,991.4	5,949.5	(271.8)	-4.57%	$67.0	-$46.7	-$292.0	-$42.0	$41.9
	Kentucky	1,791.1	1,769.8	1,769.3	1,851.7	1,857.3	1,850.9	(59.8)	-3.23%	$21.3	$0.5	-$82.4	-$5.6	$6.4
	Tennessee	2,616.1	2,612.5	2,619.9	2,774.8	2,816.8	2,794.3	(178.2)	-6.38%	$3.6	-$7.4	-$154.9	-$42.0	$22.5
	Arkansas	1,175.9	1,163.2	1,164.8	1,202.5	1,208.1	1,203.4	(27.5)	-2.29%	$12.7	-$1.6	-$37.7	-$5.6	$4.7
	Oklahoma	1,563.1	1,526.4	1,541.9	1,592.7	1,585.8	1,561.9	1.2	0.08%	$36.7	-$15.5	-$50.8	$6.9	$23.9
	Kansas	1,317.1	1,323.0	1,343.1	1,390.6	1,383.7	1,368.2	(51.1)	-3.73%	-$5.9	-$20.1	-$47.5	$6.9	$15.5
	Nebraska	957.8	939.4	944.6	965.0	969.1	955.0	2.8	0.29%	$18.4	-$5.2	-$20.4	-$4.1	$14.1

Note: The United States GDP is provided for comparison purposes only.

APPENDIX A

Appendix A

Economic Development Tax Credit Program Descriptions

Business Facility

The Business Facility program was created in 1980 by SB 644 as statute sections 135.110 to 135.150. The program was intended to provide incentives for new businesses or the expansion of existing businesses, and makes tax credits available to a qualified business based on the number of new jobs created and the amount of new investment at the qualified facility. Tax credits may be made available for up to ten years after the project begins operations.

This program was eliminated as of January 1, 2005 by SB 1155 (2004) except for headquarters operations, and the provisions for headquarters operations were sunset as of January 1, 2020 by HB 191 (2009). There is no cap, or limit, on tax credits for this program, but the largest amount issued was approximately $6.1 million in 2009.

Enterprise Zone

The Enterprise Zone program was created in 1982 by HB 1713 as statute sections 135.200 to 135.270. The program was intended to provide incentives for new businesses or the expansion of existing businesses in one of Missouri's enterprise zones. The program provides for local property tax abatement, state income tax exemptions, and makes tax credits available to qualified businesses based on the number of new jobs created, the number of enterprise zone residents employed, the number of difficult to employ persons employed, the number of zone residents or difficult to employ persons who receive training, and the amount of new investment at the qualifying facility. A business must invest at least $100,000 and create at least two new jobs to qualify for this program.

This program has been eliminated by statute, but businesses which had commended operations at qualifying facilities on or before December 31, 2004, remain eligible for the program and the local property tax provisions were not eliminated.. Businesses which did not commence operations by December 31, 2004 will not be eligible for this program. There is no cap, or limit, on tax credits for this program, but the largest amount issued was approximately $15.2 million in 2008.

Business Use Incentives for Large-Scale Developments (BUILD)

The BUILD program was created in 1996 by HB 1237 as statute sections 100.700 to 100.850. The program was intended to provide financial incentives for the creation or expansion of large scale business development projects. The program allows the Department of Economic Development (DED) and the Missouri Development Finance Board (MDFB) to finance a portion of the costs of qualifying capital investments for eligible businesses that seek to locate or expand in Missouri and create a significant number of new jobs. In addition, MDFB financing can be used to reduce necessary infrastructure and equipment costs if a company can demonstrate the need for funding. The minimum bond issue is $500,000.

The program provides for a fee assessment on the company based on a percentage of gross wages paid, and tax credits in the amount of the fee assessment. The assessments and tax credit issuance are terminated when the bonds sold to finance the project are retired.

Reporting requirements include the number of new jobs created; the total amount of salaries and wages paid to eligible employees, and the investment in capital improvements. The program requires semi-annual reports during the initial 3-year build out phase and annual reports for the term of the credits.

The tax credits for this program are subject to an annual cap of $25 million, and the largest amount issued was approximately $9.8 million in 2010.

Development

The Development Tax Credit program was created in 1977 by SB 375 as statute sections 32.100 to 32.125. The program was intended to facilitate business projects which create new jobs; tax credits may be issued to businesses which provide specified community or economic development services, or to businesses which make contributions to qualified community development organizations which provide community or economic development activities.

The tax credits are generally limited to 50% of cash donations, or 50% of the value of approved contributed property. Certain housing activities may be eligible for tax credits equal to a larger percentage of the amounts contributed. Tax credits authorized under this program are limited to $6 million per fiscal year.

Rebuilding Communities

The Rebuilding Tax Credit program was created in 1998 by HB 1656 as statute section 135.535. The program was intended to stimulate business activity in Missouri's "distressed communities" by providing tax credits to eligible business that locate, relocate or expand their business within a distressed community as defined in the statute. The business must move its operations from outside Missouri or outside a distressed community into a distressed community, or begin operations in a distressed community on or after January 1, 1999. In addition, the company must have more than seventy-five percent of its employees at the facility living in the distressed community, have fewer than one hundred employees for whom payroll taxes are paid, and participate in a qualifying business activity.

Tax credits authorized in this program are subject to an $8 million annual limit, and companies can not receive tax credits in this program if they receive the tax credits, exemptions, and refunds otherwise allowed in the Business Facility or Enterprise Zone programs.

Appendix A

Film Production

The Film Production Tax Credit program was created in 1998 by SB 827 as statute section 135.750. The program was intended to encourage film production in Missouri by providing tax credits to a qualified film production company for up to 35% of the amount expended in Missouri for production or production-related activities. A film production company is required to have expected in-state expenditures of at least $100,000 for films over 30 minutes in length, and at least $50,000 for films under 30 minutes in length.

The Missouri Film Commission and the Department of Economic Development are required to determine the activities which are qualified for tax credits, and each film production company is limited to one qualified film production project per year. In addition, each application is required to include an economic impact statement, showing the economic impact from the activities of the film production project.

Tax credits authorized under this program are limited to $4.5 million per year, and the program currently has a six year sunset provision beginning as of November 28, 2997.

Enhanced Enterprise Zone

The Enhanced Enterprise Zone program was created in 2004 by SB 1155 and is codified in Missouri law as Sections 135.900 to 135.973. The program is intended to encourage investment in targeted areas of the state and provides tax credits to new or expanding businesses in a designated Missouri Enhanced Enterprise Zone. Enhanced enterprise zones are specified geographic areas designated by local governments and certified by the Department of Economic Development (DED). Zone designation is based on demographic criteria, the potential to create sustainable jobs in a targeted industry and a demonstrated impact on local industry cluster development.

The tax credit amount is based on the number of new employees, with additional credit for employees who live in the zone and for wages in excess of the county average, and the amount invested in the facility. Tax credits are limited to ten years for the facility, and a business may receive tax credits for the Enhanced enterprise Zone Program as well as the Business Facility, Enterprise Zone, and Rebuilding Communities programs, but not from the Quality Jobs program. The business must not have any delinquent taxes, fees, or assessments to the State of Missouri.

The overall limit on tax credits in this program is $24 million per year, but the greatest amount issued under the program was approximately $5.1 million in 2010.

Appendix A

Quality Jobs

The Missouri Quality Jobs Program was created in 2005 S.B. 343, and is codified in statute sections 620.1875 to 620.1900. The program intended to encourage the creation of jobs by targeted business projects. There are program benefits based on a percentage of payroll for new jobs and for retained jobs. The program benefits are not available until job threshold requirements are met, and the employer meets average wage and health insurance requirements.

* For small or expanding businesses, the program allows the employer to retain the state withholding tax of the new employees.

* For defined technology and high impact businesses, the benefits program allows the retention of the state withholding tax for the new employees and state tax credits.

* For job retention projects, the employer must document the retention of an agreed-upon number of employees, and there are minimum capital investment and local incentive requirements.

An employer must provide a notice of intent to the Department of Economic Development (DED) before the beginning of the project, and must provide an annual report on the number of jobs created or retained, and such other information as DED may require. A business which receives benefits from this program may not also receive benefits under the Business Facilities Program, the Enterprise Zone Program, The Rebuilding Communities Program, , or the Rural Empowerment Zone Program. Further, a business which receives benefits from the New Jobs Training program, the Job Retention Program, or a Real Property Tax Increment Allocation Program, must apply employee payroll tax withholding to those programs before those payroll taxes can be applied to the Quality Jobs Program.

Tax credits available for a project are limited to the amount of projected state economic benefit. A business which knowingly hires individuals not allowed to work legally in the United States will forfeit program benefits and repay any state tax credits already redeemed and any withholding taxes retained. Finally, the business must not have any delinquent taxes, fees, or assessments to the State of Missouri.

The overall limit on tax credits in this program is $80 million per year, but the greatest amount issued under the program was approximately $14.9 million in 2010.

APPENDIX B

Missouri Tax Credit Programs
Program by Year Enacted

Program	Year Created
Senior Citizen Property Tax Credit	1973
Neighborhood Assistance Program	1977
Business Facility (sunset 01/05) (Reauthorized for Headquarters in HB191 of 2009)	1980
Enterprise Zone (sunset 01/05)	1982
Wood Energy Tax Credit	1985
MDFB Infrastructure Development	1985
MDFB Infrastructure Bond Guarantee	1985
Seed Capital	1986
Special Needs Adoption	1987
Community College New Job Training Program	1988
Life and Health Insurance Guarantee	1988
Development	1989
Small Business Incubator	1989
Property and Casualty Insurance Guarantee	1989
Low Income Housing	1990
Affordable Housing Assistance	1990
Life, Health, and Accident Insurance Pool	1990
Manufacturer Recycling Flexible Cellulose Casings	1991
Capital Small Business Investment	1992
Research (sunset 01/05)	1993
Community Bank	1994
Higher Education Scholarship (repealed)	1994
Youth Opportunities	1995
Brownfield Remediation	1995
Brownfield Jobs and Investment	1995
BUILD Program	1996
CAPCO	1996
Domestic Violence Center	1997
Maternity Homes	1997
Historic	1997
Skills Development (repealed in 2004)	1997
Wine and Grape	1998
Rebulding Communities	1998
Film Production	1998
Transportation Development (sunset 01/05)	1998
Charcoal Producer	1998
Mature Worker (sunset 08/04)	1998
Advantage Missouri (repealed)	1998
Agricultural Products Utilization Contributor	1999
New Generation Cooperative	1999

Missouri Tax Credit Programs
Program by Year Enacted

Program	Year Created
Family Development Account	1999
Dry Fire Hydrant (sunset 08/03)	1999
Shared Care	1999
Disabled Access	1999
New Enterprise Creation	1999
SBA/USDA Loan Guarantee Fee	1999
Neighborhood Preservation	1999
Bank Tax Credit for S Corp Shareholders	1999
Bank Franchise	2000
Brownfield Demolition	2001
Examination Fee	2001
MODESA / MORESA	2003
Rural Empowerment Zones	2004
Enhanced Enterprise Zone	2004
Retain Jobs Training Bond	2004
Quality Jobs	2005
Family Farm Breeding Livestock	2006
Residential Treatment Agency	2006
Pregnancy Resource Center	2006
Children in Crisis	2006
Qualified Beef	2007
Dwelling Access	2007
Food Pantry	2007
Health Care Access Fund	2007
Self-Employed Health Insurance	2007
Surviving Spouse	2007
New Markets	2007
Distressed Area Land Assemblage	2007
Alternative Fuel Stations	2008
Railroad Rolling Stock	2008

Year shown is the year the tax credit legislation was passed by the General Assembly.

APPENDIX C

Missouri Tax Credit Programs
Annual Limits and Amounts Issued and Redeemed for FY 2010, 2009, and 2008

Category	Annual Limit	FY 2010		FY 2009		FY 2008	
		Issued	Redeemed	Issued	Redeemed	Issued	Redeemed
Agricultural							
Agricultural Product Utilization Contributor	$6,000,000	$1,307,479	$114,674	$0	$145,162	$0	$1,207,849
New Generation Cooperative	Combined with Agricultural Product	$2,563,644	$3,287,882	$6,000,000	$4,190,256	$6,000,000	$4,136,380
Family Farm Breeding Livestock Loan Program	None	$67,917	$104,798	$135,281	$141,973	$150,000	$33,818
Qualified Beef Tax Credit Act	$3,000,000	$43,028	$0	$0	$0	$0	$0
Wine and Grape	None	$54,085	$112,057	$252,857	$153,821	$57,209	$118,844
Business and Recruitment							
Business Facility	None	$4,897,474	$2,883,729	$6,090,269	$5,896,799	$4,293,773	$2,815,251
Enterprise Zone	None	$5,627,795	$1,481,256	$10,366,073	$6,914,412	$15,194,162	$14,326,413
BUILD	$25,000,000	$9,765,144	$8,317,379	$5,620,504	$7,074,994	$7,489,456	$4,975,510
Development	$6,000,000	$2,713,000	$1,589,618	$1,228,570	$966,216	$1,266,706	$696,889
Rebuilding Communities	$8,000,000	$1,419,759	$1,553,894	$2,002,376	$1,548,622	$1,670,629	$1,967,262
Film Production	$4,500,000	$5,181,512	$1,925,158	$164,086	$970,673	$1,642,701	$1,920,709
Enhanced Enterprise Zones	$24,000,000	$5,068,487	$2,916,392	$2,262,259	$1,454,319	$1,199,842	$756,006
Quality Jobs	$80,000,000	$14,863,017	$14,238,179	$11,348,054	$6,203,572	$3,744,069	$2,805,251
Railroad Rolling Stock	Appropriated			$0	$0	$0	$0
Community Development							
Neighborhood Assistance	$16,000,000	$10,284,768	$10,065,992	$11,447,049	$13,202,082	$13,322,190	$11,039,982
Family Development Account	$300,000	$25,000	$3,000	$6,250	$0	$8,999	$8,749
Dry Fire Hydrant	$500,000	$0	$2,634	$5,850	$11,133	$10,000	$742
Transportation Development	Closed in 2006	$0	$9,176	$0	$1,066,386	$0	$2,223,821
Domestic and Social							
Youth Opportunities	$6,000,000	$4,406,277	$4,405,158	$4,821,723	$4,723,545	$5,669,063	$4,137,223
Shelter for Victims of Domestic Violence	$2,000,000	$1,032,802	$789,750	$858,589	$943,989	$1,029,681	$750,714
Senior Citizen or Disabled Person Property	None	$118,594,589	$118,594,589	$118,573,853	$118,573,853	$100,164,994	$100,164,994
Special Needs Adoption / Children in Crisis / CASA	$2,000,000	$2,315,044	$2,315,044	$2,625,706	$2,625,706	$3,401,671	$3,401,671
Maternity Home	None	$1,021,293	$761,650	$807,079	$1,129,460	$1,309,445	$983,441
Surviving Spouse	None	$22,636	$22,636	$9,583	$9,583	$0	$0
Residential Treatment Agency	$100,000	$402,669	$551,841	$675,877	$438,814	$530,910	$214,901
Pregnancy Resource Center	$2,000,000	$1,624,130	$1,198,062	$1,185,718	$1,309,933	$1,167,510	$563,689
Food Pantry Tax Credit	$2,000,000	$793,734	$793,734	$459,810	$459,810	$243,711	$243,711
Missouri Healthcare Access Fund	$1,000,000	$0	$0	$0	$0	$0	$0
Disabled Access - Individuals	None	$23,040	$23,040	$16,363	$16,363	$0	$0
Shared Care	None	$168,500	$106,086	$181,500	$92,803	$157,000	$78,360
Homestead Preservation	Appropriated	$2,478,624	$2,478,624	$87,920	$87,920	$1,031,018	$1,031,018
Entrepreneurial							
Capital Tax Credit	Exhausted	$0	$0	$0	$30,634	$0	$20,711
CAPCO	$14,000,000	$0	$495,459	$0	$4,754,869	$9,000,000	$9,874,295
Seed Capital	Exhausted	$0	$0	$0	$11,133	$0	$34,317
New Enterprise Creation	Exhausted	$0	$77,098	$0	$320,766	$0	$813,513
Research Tax Credit	$10,000,000	$0	$890,135	$0	$0	$0	$100,926
Small Business Incubator	$500,000	$196,448	$219,014	$189,967	$548,639	$309,664	$252,392
Guarantee Fee	None	$0		$0	$30,812	$195,791	$39,694
New Generation Cooperative	Rpealed	$0		$0	$0	$0	$0

Missouri Tax Credit Programs
Annual Limits and Amounts Issued and Redeemed for FY 2010, 2009, and 2008

Category	Annual Limit	FY 2010		FY 2009		FY 2008	
		Issued	Redeemed	Issued	Redeemed	Issued	Redeemed
Environmental							
Charcoal Producer	None	$0	$14,642	$0	$134,663	$166,068	$106,952
Wood Energy	None	$3,204,481	$1,546,453	$3,741,073	$4,576,446	$3,199,223	$1,215,292
Alternative Fuel Stations	Set each year	$0	$0	$0	$0	$0	$0
Flexible Cellulose Casing	Repealed	$0	$0	$0	$0	$0	$0
Financial and Insurance							
Bank Franchise Tax Credit	None	$2,013,584	$2,013,584	$2,710,300	$2,710,300	$2,137,560	$2,137,560
Bank Tax Credit for S Corporation Shh	None	$1,823,612	$1,823,612	$1,862,266	$1,862,266	$1,149,975	$1,149,975
Missouri Examination Fee	None	$6,793,456	$4,877,275	$6,529,385	$4,569,160	$8,315,403	$5,406,156
Property and Casualty Guaranty	None	$10,462,791	$8,692,593	$3,272,763	$3,182,125	$3,428,332	$2,825,908
Life and Health Ins. Guaranty	None	$16,639,600	$0	$0	$0	$0	$0
Health Insurance High Risk Pool	None	$554,844	$554,844	$2,212,598	$2,212,598	$4,107,228	$4,107,228
Self-Employed Health Insurance	None	$1,517,004	$1,517,004	$1,729,167	$1,729,167	$1,039,564	$1,039,564
Housing							
Neighborhood preservation	$16 million	$5,987,555	$6,739,113	$5,434,477	$5,176,659	$6,417,853	$5,343,647
Low-Income housing	Equal to Federal Credit	$155,703,625	$142,141,458	$145,997,420	$105,967,104	$133,724,820	$98,305,085
Affordable Housing	$11,000,000	$4,599,981	$11,647,956	$10,455,349	$9,917,951	$8,455,594	$11,392,907
Redevelopment							
Historic Preservation	Varies	$107,229,218	$108,064,200	$119,914,947	$186,426,164	$161,621,537	$140,111,002
Brownfield Redevelopment (Remediation)	None	$13,978,902	$17,590,273	$22,121,637	$29,194,784	$20,424,920	$26,466,007
Brownfield Redevelopment (Demolition)	None	$0	$0	$0	$5	$12,500	$27,245
Brownfield Redevelopment (Jobs/Investment)	None	$1,903,904	$1,650,222	$1,860,534	$1,965,406	$1,901,250	$1,726,005
Community Development Corporations	Exhausted	$6,410	$5,915	$0	$990	$2,957	$11,990
Infrastructure	$10,000,000 with Additional $15,000,000 Contingency	$39,203,730	$13,970,215	$19,727,925	$26,916,508	$31,004,874	$19,877,329
Bond Guarantee	$50,000,000 Cumulative	$0	$0	$0	$0	$0	$0
Disabled Access - Small Business	None	$12,526	$12,526	$17,206	$17,206	$28,922	$28,922
New Markets	$25,000,000	$8,708,000	$0	$0	$0	$0	$0
Distressed Areas Land Assemblage	$20,000,000	$20,000,000	$6,731,635	$0	$0	$0	$0
Training and Education							
Community College New Jobs	Based on related debt	$4,155,036	$3,228,601	$4,095,266	$4,175,590	$3,072,000	$4,762,743
Skills Development Account	Repealed	$0	$0	$0	$0	$0	$0
Mature Worker	Repealed	$0	$0	$0	$0	$0	$0
Sponsorship and Mentoring	Not active	$0	$0	$0	$0	$0	$0
Job Retention Training	Based on related debt	$3,200,588	$8,145,996	$16,471,826	$9,992,850	$1,000,000	$5,546,166
Higher Education							
Higher Ed Scholarship	Expired	$0	$0	$0	$0	$0	$0
Advantage Missouri	Expired	$0	$0	$0	$0	$0	$0
TOTALS		$ 604,660,742	$ 523,295,855	$ 555,577,306	$ 586,776,994	$ 571,470,774	$ 503,326,729

APPENDIX D

Appendix D

Recession and Recovery Events

According to the National Bureau of Economic Research, the recent recession in the United States began in December 2007 and continued until June 2009. During the recession, the Gross Domestic Product (GDP) of the United States fell 5.1%, and there was a peak unemployment rate of 10.1% in October, 2009. Economists have varying opinions as to the causes of the recession; from the lack of regulation and oversight in the financial system, to the real estate market collapse and subsequent investor losses on mortgage-backed securities.

I. Recession Events

2008

Sept. 7:	Mortgage Finance Companies Fannie Mae, Freddie Mac Seized by Government
Sept. 14:	Bank of America Bought Investment Company Merrill Lynch
Sept. 15:	Investment Banking Company Lehman Brothers Filed for Bankruptcy Protection
Sept. 16:	Federal Government Makes Emergency Loan to Insurance Company AIG
Sept. 17:	Barclays Bank Purchases Lehman Brothers Investment Banking and Trading Operations.
Sept. 19:	President Proposes Financial Industry Bailout Plan
Sept. 21:	Goldman Sachs and Morgan Stanley Receive Federal Reserve System Approval to Convert from Investment Banks to Bank Holding Companies.
Sept. 29:	Citigroup Agrees to Buy Wachovia's Banking Operations
Sept. 29:	Dow Jones Industrial Average Suffers Largest Ever One-day Drop
Oct. 1:	United States Senate Approves Financial Industry Bailout Plan
Oct. 3:	Wells Fargo Bank Tries to Acquire Wachovia Corporation
Oct. 3:	House Approves Financial Industry Bailout Plan
Oct. 6:	Dow Jones Industrial Average Falls below 10,000
Oct. 8:	Federal Government Makes Second Loan to Insurance Company AIG
Oct. 9:	Dow Jones Industrial Average Falls below 9,000
Oct. 10:	Wells Fargo Approved to Acquire Wachovia
Oct. 28:	Dow Jones Industrial Average Has Second-largest Point Gain Ever
Oct. 30:	United States Gross Domestic Product Falls in Third Quarter, Indicating the Beginning of the Recession
Nov. 5:	Dow Jones Industrial Average Falls More than 400 Points on Renewed Recession Fears
Nov. 10:	Federal Government Provides Additional Federal Aid to AIG
Nov. 10:	DHL Announces Elimination of 9,500 Jobs and Closure of its DHL Express Service Centers in the United States.

Nov. 13:	New Jobless Claims Increase to a Seven-year High.
Nov. 13:	Federal Budget Deficit Reaches Record $237.2 Billion
Nov. 14:	President Proposes $25 Billion in Loans to Carmakers
Nov. 15:	World Leaders Meet to Prevent Future Economic Crises
Nov. 19:	Dow Jones Industrial Average Drops below 8,000 for First Time since 2003
Nov. 20:	New Jobless Claims Increase to Highest Level since 1992.
Nov. 24:	Citigroup Gets Additional Federal Bailout
Dec. 18:	Mortgage Rates Drop to 37-year Low
Dec. 19:	President Proposes Loans to Automakers General Motors and Chrysler

2009

Jan. 12:	President Requests Approval of Remaining $350 Billion of the Financial Bailout Package.
Jan. 13:	Morgan Stanley and Citigroup Brokerage Businesses Merged
Jan. 28:	United States House Approves $819 Billion Economic Stimulus Plan
Jan. 29:	New Jobless Claims Hit All-time High
Feb. 4:	President Imposed a Pay Cap on Certain Senior Executives Whose Firms Receive Government Assistance.
Feb. 17:	President Signs $787 Billion Stimulus Package, Including Tax Cuts, a First-time Home Buyer Tax Credit Program, and Public Works Spending Programs.
Feb. 19:	Dow Jones Industrial Average Closes at Lowest Level in 6 Years
Feb. 23:	Dow Jones and Standard and Poor's Indices Close at Decade Lows
March 2:	Dow Jones Industrial Average Falls below 7,000 for the First Time since October 1997.
June 1:	National Bureau of Economic Research (NBER) Officially Declares the Recession over Based on Growth in GDP.

II. Recovery events

Although the official end of the recession was marked by the NBER as of June 1, 2011, the economic recovery has been slow and difficult. Significant events in the recovery are listed below.

June 2:	Federal Government Takeover of Bankrupt General Motors.
July 14:	Goldman Sachs Banking and Securities Company Posts $3.44 Billion Profit Only Months after Repaying $10 Billion in Federal Aid.
Aug 6:	Cash for Clunkers Program Extended to Provide Another $2 Billion in Monetary Incentives to Car Owners Who Replace Existing Vehicles with Cars That Have Better Fuel Efficiency.

November 6:	Federal Bureau of Labor Statistics Announced That the Unemployment Rate Hit 10.2 Percent in October. That Was the Highest Level since 1983.
Dec. 3:	GE Sells NBC Universal to Comcast.
Dec. 6:	US Officials Estimated That Banks and Other Companies That Received Bailout Money Would Pay Back All but $42 Billion of the $370 Billion in Loans.
December 24:	Standard and Poor's 500 Index Hits 15-month High.
December 25:	Federal Health Care Bill Passes Senate.

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Jan. 28:	United States Senate Voted to Give Ben Bernanke, Chairman of the Federal Reserve Board, a Second, Four-year Term.
Feb. 5:	Unemployment Rate Drops to 9.7% ,
March 18:	President Signs the Hire Act, Which Includes Tax Cuts, Business Credits, and Subsidies for State and Local Construction Bonds, in Addition to Putting $20 Billion into the Highway Trust Fund for Spending on Highway and Transit Programs.
Mar. 23:	President Signs the Healthcare Overhaul Bill into Law.
Apr. 20:	Explosion on a British Petroleum (BP) Oil Drilling Rig off the Coast of Louisiana Kills 11 People, and Injures 17. The Explosion Also Started a Crude Oil Leak into the Gulf of Mexico.
Apr. 21:	General Motors Paid Back $8 Billion in Federal Aid.
June 4:	Following the Expiration of the Federal Homebuyer Tax Credit at the End of April, Weekly Applications for New Mortgages Hit Their Lowest Point since 1997, According to the Mortgage Bankers Association.
June 15:	Goldman Sachs Reaches Settlement with SEC, Agreeing to Pay $550 Million but Admitting No Wrongdoing.
July 15:	BP Caps Leaking Oil Well after 86 Days of Gushing Oil into the Gulf of Mexico. And Several Previous Attempts to Contain the Flow.
July 21:	President Signs the Dodd-frank Wall Street Reform and Consumer Protection Act.
Aug. 31:	President Announces the End of Operation Iraqi Freedom with a Withdrawal of Combat Troops.
October 1:	Bank of America Announces it Will Halt Foreclosures Until the Company Completes a Review of its Foreclosure Process.
October 3:	Bureau of Labor Statistics Reports the Unemployment Rate at 9.6 Percent.
October 8:	Dow Closes above 11,000.
Sep. 9:	AIG Unveils Plans to Pay Back Federal Assistance.
November 3:	Federal Reserve System Announces Another Round of Quantitative Easing Which Is a Plan to Buy $600 Billion in Treasury Securities to Further Reduce Long-term Borrowing Costs and Keep Prices from Falling.
November 17:	GM Closes Biggest Initial Public Offering (Ipo) in U.S. History after Being Bought out by the Government in the Summer of 2009.

November 23: Numbers Released Show That U.S. Companies' Profits Rose in the Third Quarter to the Highest on Record, an Annual Rate of $1.66 Trillion. Yet Unemployment Remains at 9.6 Percent, Reflecting a Discrepancy Between Profits and Jobs.

December 16: United States Labor Department Announced That First-time Claims for Unemployment Benefits Fell Three Times in the past Month, to 420,000.

December 17: $858 Billion Tax Cut Compromise Approved by the Senate and the House and Signed by the President.

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Jan 25: President Announced Budget Cuts and Spending Freezes to Reduce the Federal Deficit by $400 Billion over 10 Years.

March 17: United States Senate Approves Second Budget Extension.

April 1: Possible Shutdown of Federal Government Avoided with Agreement on the Federal Budget.

April 4: British Petroleum (BP) Applied for Permission to Resume Drilling in the Gulf of Mexico.

July 21: Fiat Purchases the United States and Canadian Government Investments in Chrysler, Six Year Earlier than Scheduled.

Aug 1: Last-minute Deal Reached to Increase National Debt Limit.

Aug. 8: Stocks Markets Decline after United States Credit Rating Is Lowered.